

SECTION I

INTRODUCTION

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Background

The National Defense Authorization Act of 1998 directed the Department of Defense (the Department) to create a Biennial Financial Management Improvement Plan (Biennial Plan). The Biennial Plan requires the Secretary of Defense to submit to Congress a biennial strategic plan for the improvement of financial management within the Department of Defense. Submission of the Biennial Plan is to be made no later than September 30 of each even-numbered year.

A major goal of the Biennial Plan is to create a single integrated plan that incorporates existing regulatory reporting requirements. The range of information contained in the Biennial Plan satisfies the National Defense Authorization Act of 1998 and the following additional regulatory reporting requirements:

- Chief Financial Officers (CFO) Financial Management Five Year Plan - CFO Act of 1990, submitted annually on September 30
 - Remediation Plan – Federal Financial Management Improvement Act of 1996, submitted annually September 30
 - Statement of Assurance, Section IV - Federal Managers' Financial Integrity Act of 1982, submitted annually December 31
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The Biennial Plan is Divided into Two Volumes

Because of the range and amount of detailed information contained in the Biennial Plan, the Biennial Plan is divided into two volumes. Volume I contains the Department's financial management concept of operations on how it intends to manage its financial operations in the future and a transition plan on how it intends to achieve it. Volume II contains the details on each of the improvement initiatives described in the transition plan section and the special interest items section contained in Volume I.

Volume I Overview

Volume I of the Biennial Plan begins with the Department's Concept of Operations (Concept). The Concept describes how the Department intends to perform financial management operations. The Department intends to use the Concept to guide the transition and evolution of its financial management policies, systems, functions, and improvement initiatives.

The Transition Plan in Volume I identifies and documents the improvements required to bridge the gap between the current and the future environment described in the Concept. The Transition Plan

includes goals and strategies, and summaries of corrective action plans, data flows, system architectures, and organizational infrastructure changes necessary to move to the future environment.

In addition to developing a strategic plan for improving the Department's financial management operations, the Congress also directed that the Biennial Plan address specific interest items. The final section of Volume I provides the Department's response to specific questions on: finance and accounting systems; data feeder systems; problem disbursements; financial management competency; the organization and performance of the Defense Finance and Accounting Service's operating locations and centers; and the feasibility of contracting and outsourcing finance and accounting functions.

Volume II Scope

Volume II contains the detailed supporting documentation on the Department's financial management improvement initiatives described in Volume I. Details on corrective actions, milestones, resources, supporting systems architectures, benefits, and responsible organizations are described on each improvement initiative.

**Volume II
Organization and
Content**

Volume II is organized in three sections and includes an appendix:

- Section I – Introduction
- Section II – Program
- Section III – Core
- Section IV – Infrastructure
- Appendix A - Acronyms

**Section I
Introduction**

The Introduction section describes the Biennial Plan background and the Volume II scope, organization, and content.

**Section II
Program**

Section II includes various program improvement initiatives the DoD is taking to improve the Department's feeder systems.

Approximately 80 percent of the Department's financial data is derived from program feeder systems. Program feeder systems are automated or manual systems operated by the Military Departments and the Defense Agencies. These systems contain the day-to-day operating information that needs to be translated into financial information and processed in finance and accounting systems. The data provided by program systems must be reconciled with financial information in

accounting records, and an audit trail maintained to identify and explain any variations.

Section III
Core

Section III contains various initiatives the Department is taking to improve its core finance and accounting systems and processes.

Core financial management systems perform the Department's financial transaction processing, and accounting and reporting. Transaction processing record the results of payments to DoD personnel, retirees and annuitants, contractors, and record and track funds received by the Department. Accounting and reporting show the financial impact of all the Department's financial events through the general ledger, funds control, cost accounting and cash management.

Section IV
Infrastructure

Section IV includes various infrastructure initiatives established to improve the Departments personnel, system architecture, and internal control areas of financial management.

The operating infrastructure consists of organizations, personnel, and internal control mechanisms required to manage and account for the Department's resources. The operating infrastructure includes operating location consolidations, achievement of required competencies for financial management personnel, accurate reporting of information on financial statements, and the reliability of the information reported.

The technical infrastructure uses technology as an enabler to assist the Department in achieving the desired improvements in financial management. The technical infrastructure includes improvements in the system architecture, system applications, system interfaces, data, and internal controls.

Appendix A
Acronyms

Appendix A defines the acronyms documented in Volume II of the Biennial Plan.
